

# Boston's People and Economy

## **INTRODUCTION**

Boston, first incorporated as a town in 1630, and as a city in 1822, is one of America's oldest cities, with a rich economic and social history. What began as a homesteading community eventually evolved into a center for social and political change. Boston has since become the economic and cultural hub of New England.

As the region's hub, Boston is home to nearly 590,000 residents, many institutions of higher education, some of the world's finest inpatient hospitals, and numerous cultural and professional sports organizations. Boston-based jobs, primarily within the finance, health care, educational, and service areas, numbered nearly 660,000 in 2002. Millions of people visit Boston to take in its historic neighborhoods, attend cultural or sporting events, and conduct business.

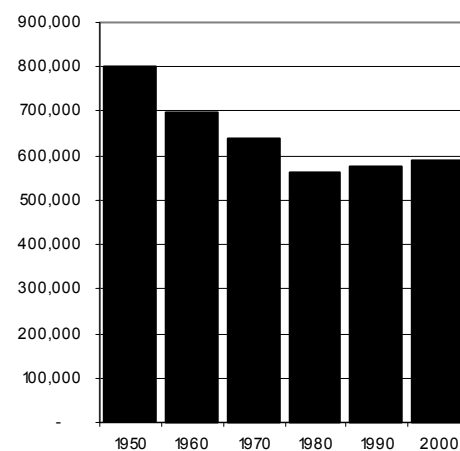
The City provides a wide range of programs and services to meet the diverse needs of its many residents and visitors. Under the direction of Mayor Thomas M. Menino, the City is also aggressively pursuing new economic opportunities to ensure Boston will emerge as a global leader in the twenty-first century economy.

## ***Boston's Changing Population***

Over the thirty years between 1950 and 1980 Boston's population declined from 801,444 to 562,994. This decline can largely be attributed to families with children fleeing to the suburbs based a perception of better schools and less crime. Since 1980, however, the City's population has stabilized and grown slightly. The 2000 U.S. Census records the City's population at 589,141, representing a 2.6% increase over the 1990 population and a 4.6% increase over 1980.

A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. The recent census results confirm that people of color

now make up the majority of Boston's population for the first time in its' history. Boston's rich cultural heritage is also reflected in the diversity of its neighborhoods. Because the Mayor is aware of the fact that many of the people who move to Boston each year come from different cultural backgrounds and have a first language other than English, he has created the Office of New Bostonians. The mission of this office is to strengthen the ability of residents from diverse cultural and linguistic communities to play an active role in the economic, civic, social, and



**Boston's Population**  
1950 to 2000 Census

Figure 1

cultural life of the City of Boston.

## ***Boston's Role in the Regional Economy***

The City of Boston is the 20th largest city in the United States. The U.S. Bureau of the Census reported Boston's population as 574,283 in 1990 and as 589,281 in 2002. Boston is the center of the 7th largest Consolidated Metropolitan Statistical Area (CMSA) in the nation. The Boston CMSA had a total population of 5.8 million in 2000.

In addition to having one of the largest population concentrations, Boston also ranks among the highest in concentrations of employment and income in the U.S. In 2002, Boston supplied 657,099 jobs, or approximately one out of every six jobs in Massachusetts or one out of every thirteen jobs in New England. Boston provides employment opportunities for many people who live outside of the City. In 2001, total Boston-based jobs outnumbered our employed resident population by nearly two and one-half times. The City had 9.3% of the state's population in 2000, but measured in terms of jobs, Boston's economy accounted for approximately 17% of the Massachusetts economy in 2001.

In terms of income, Suffolk county, which is comprised of the City of Boston and the towns of Chelsea, Revere, and Winthrop, ranked 39<sup>th</sup> in per capita personal income among over three thousand counties in the U.S. in 2001. Suffolk County was the 76<sup>th</sup> largest county in the United States by population in mid-2002.

The attributes that make Boston such a great city in which to conduct business also make it a great destination for tourists. According to the Greater

Boston Convention and Visitors Bureau, an estimated 12.9 million people visited Boston in 2002, up slightly from 12.6 million in 2001. While the events of September 11<sup>th</sup> and a national recession had reduced visitors to Boston and other tourism and business centers, the City has returned to its 2000 peak level of activity.

Boston is an attractive destination for conventions, meetings, and gate shows. Currently, Boston has three sites for small and medium size conventions: the John B. Hynes Veterans Memorial Convention Center, the World Trade Center, and the Bayside Exposition Center. A fourth convention site, the new Boston Convention and Exhibition Center (BCEC), will be able to accommodate larger conventions, will open for business in 2004.

The BCEC is located on a 60-acre site in South Boston. The facility contains more than 500,000 square feet of contiguous exhibition space, as well as ballrooms, meeting rooms, banquet halls and lecture halls. Construction of the facility is on schedule to be completed in June 2004. The convention center is funded by a combination of City and Commonwealth revenue sources. Construction of this facility along with nearby new

### ***Key Indicators of Boston's Economy***

		<b><i>1970</i></b>	<b><i>1980</i></b>	<b><i>1990</i></b>	<b><i>Recent</i></b>
<b><i>Population</i></b>	Total Population	641,071	562,994	574,283	589,141 ('00)
	% Minority Population	18%	30%	37%	50.5% ('00)
<b><i>Income</i></b>	Median Household Income	\$7,935	\$12,530	\$29,180	\$39,629 ('00)
<b><i>Education</i></b>	% High School Graduate	34%	35%	27%	24% ('00)
	% Some College Completed	9%	13%	19%	19% ('00)
	% College Graduate	10%	20%	30%	36% ('00)
<b><i>Employment</i></b>	Unemployment Rate (resident)	12.8% ('75)	7.8% ('83)	8.6% ('91)	5.2% (12/02)
	Number of Jobs	576,125	572,078	622,433	683,584 ('01)
	% Blue Collar Jobs	45%	40%	33%	31% ('00)
	% White Collar Jobs	55%	60%	67%	69% ('00)
	% Manufacturing Jobs	11%	9%	5%	4% ('00)
	% Trade Jobs	22%	16%	13%	12% ('00)
	% Finance Jobs	13%	13%	15%	15% ('00)
	% Service Jobs	25%	36%	42%	46% ('00)
	Office Market Vacancy Rate	2%	1%	15%	9.7% (4Q'02)
<b><i>Real Estate Housing</i></b>	Median House Price	na	\$71,700	\$174,100	\$285,000 (2Q'02)
	Housing Units	232,400	241,300	249,791	250,863 ('00)
	% Vacant Units	6%	10%	9%	1.0% ('00)
	Condominium Units	na	4,500	33,000	
	% Condominium Units	na	2%	13%	
	Rental Vacancy (Boston Metro Area)	na	na	6%	3.0% ('01)

#### ***Sources:***

Boston Redevelopment Authority, Federal Reserve Bank of Boston, U.S. Census Bureau, Massachusetts Division of Employment and Training.

Table 1

hotel projects in the City will give a significant boost to the local economy and help to position Boston as a world-class convention city of the future.

With normally high average occupancy and room rates, and with the new Boston Convention and Exhibition Center on the horizon, Boston is still attracting new hotel construction. Five new hotels representing 676 new rooms were under construction as of January 2004. Nine additional hotel projects have received approval from the Boston Redevelopment Authority.

### ***Boston's Changing Economy***

The nature of Boston's economic base has changed dramatically over the past three decades. In 1970, manufacturing and trade jobs accounted for 33% of the total economy, while financial and service sector jobs totaled 38%. In 2000, manufacturing and trade jobs accounted for only 16% of the total economy while financial and service sector jobs totaled 61%. These trends mirror a national movement from an industrial-based economy to a service-based economy.

The City's resident workforce is undergoing a transformation as well. Of the 266,505 residents working in Boston in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. In 2000, of 285,859 Boston resident workers, those holding blue-collar jobs fell to 31%, and those employed in white-collar occupations rose to 69%. The majority of these white-collar jobs are within finance, health care, education, and other broad-based service industries. (Table 1.)

The changing needs of a service and information-based economy have increased the demand for a better educated and more highly skilled workforce. In 2000, 79% of the adults in Boston had completed high school, compared to 53% in 1970. A full 36% of adults in Boston had completed college in 2000, compared to only 10% in 1970.

### ***The Role of Higher Education, Health Care, and Financial Services***

Higher education, health care, and financial services play a major role in Boston's economy. An examination of Boston's 36 largest private employers shows 27 are involved in these growing sectors.

Many of the nation's finest research and teaching hospitals are located in Boston, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel/Deaconess Hospital, Boston Medical Center, New England Medical Center and Children's Hospital, as well as numerous community-based health centers. In total there are 22 inpatient hospitals in the City. The City is also home to the medical and dental schools of Harvard University, Tufts University and Boston University. In 2003, there were an estimated 107,000 people employed in health services in the City.

Boston also hosts 34 institutions of higher education. Included among the City's colleges and universities are some of the finest educational institutions in the country, including Boston College, Boston University, and Northeastern University.

These institutions of higher education have a major impact on the City's economy. Boston's colleges and universities enrolled approximately 137,000 students in the fall of 2002. Because many of these students remain in Boston after graduation, Boston's educational institutions are a major source of new highly skilled professionals for the City's work force. Boston's colleges and universities add to the economy in other ways as well. From 1991 through 1998, over \$300 million of large construction projects at educational institutions in Boston were completed.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, John Hancock Mutual Life Insurance Company, Putnam Investments, and State Street Bank & Trust Company. The City also has the distinction of being the birthplace of the mutual fund industry. In 2002, there were an estimated 102,000 people employed in the financial services, insurance, and real estate industries in the City.

### ***Transportation***

A key to Boston's economic health is the City's ability to transport residents, workers, and visitors efficiently and safely to their intended destinations, whether in the City or throughout the region.

Boston's public transportation system reaches into all of the City's neighborhoods and is linked to the

commuter rail and Amtrak systems, connecting millions of people to the central City. There have been several major rail initiatives completed or underway recently. The Massachusetts Bay Transportation Authority (MBTA) is currently constructing a bus rapid transit system, the Silver line, which will connect the Seaport district to Downtown and the Chinatown and Roxbury neighborhoods. Also, since 1991, Amtrak has spent \$1.8 billion on a high-speed Boston to New York rail line called Acela. It is now possible to travel between these two cities in just over three hours. In addition, Amtrak has recently added new passenger service between Boston and Portland, Maine.

The roadway system provides commuters access to Boston through surface arteries and three limited access interstate highways that connect Boston to the national highway system. Interstate 90, the Massachusetts Turnpike, just recently extended as part of the Central Artery Project, leads westward from Logan Airport through downtown Boston to the New York State border. Interstate 95, the East Coast's principal north-south highway, connects Boston to New Hampshire and Maine to the north and New York City and Washington D.C. to the south. Interstate 93, another north-south highway, extends from just south of the City to New Hampshire. Major industrial parks and high-technology companies line these transportation arteries.

In 2002, Boston's Logan International Airport was the most active airport in New England, the 20<sup>th</sup> most active airport in the United States, and the 37<sup>th</sup> most active airport in the world. In 2003, 22.6 million domestic and international passengers were served at Logan airport. Logan Airport is also very important to the economy as a center for processing air cargo. In 2002, Logan ranked 17<sup>th</sup> in the nation in total air cargo volume.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. Since 1998, the Port of Boston ranked as the 12<sup>th</sup> largest Atlantic coast seaport by container volume shipped. The Port of Boston has also become a major cruise ship port, hosting 207,235 cruise ship passengers in FY03 – down 16% from FY02, but up 11.4% from FY01.

### ***Economic Outlook***

Currently, the City is emerging from an economic downturn that has affected the nation, region, and state. As with any economic entity, the City of Boston has seen good times and bad. During the 1960s, the economy thrived and unemployment was consistently below 6%. In the 1970s, Boston experienced the same pain felt across the country as a national recession took hold. The 1980s produced the "Massachusetts Miracle" and launched a Massachusetts Governor's bid for the presidency. The early 1990s gave way to recession again with unemployment over 8% and a collapsing real estate market. The late nineties expansion invited low unemployment, commercial development and increased home values throughout the City and the region.

Since 1992, construction activity in the City has stabilized, and has only very recently begun to recede. In fiscal 2003, building permit revenues indicated a potential construction activity level of \$2.37 billion in the City, down about 26% from the peak in fiscal 2001.

Across the nation the housing market remained strong throughout the year and recession, and Boston was no exception. The sale of detached single-family homes in the Greater Boston area grew 3.1% to over 11,600 in 2003. Condominium sales grew by 18.7% to nearly 7,700 as well. The sale prices of homes in the Greater Boston area softened somewhat in 2003, but are still historically high. The 2003 annual average sale price of detached single-family homes grew 5.9% over 2002 to \$527,668, and average condominium prices grew 5.9% as well to \$341,408, according to the Massachusetts Association of Realtors. According to the Federal Reserve Bank of Boston (FRBB), the median sales price of an existing home in the Boston metropolitan area increased 4.1% to \$432,700 in the third quarter of 2003 over third quarter 2002, and 17.8% over third quarter 2001. Since the fourth quarter of 1997, the median sales price has increased an astounding 121% in the Boston metropolitan area.

The FRBB Repeat-Sales Home Price Index shows an increase of 6.9% in the Boston metropolitan area for the third quarter 2003 over the same quarter 2002 and 19% over third quarter 2001. Growth from second to third quarter 2003 was

1.2%. The last negative quarterly growth seen in this index was third to fourth quarter 1994. With average quarterly growth of 3.1% since second to third quarter 1999, price appreciation has indeed been rapid. With house price appreciation slowing in recent quarters, the risks of Boston developing a speculative bubble in real estate are becoming increasingly lessened as home price appreciation finally begins to pace growth in incomes.

Apartment rents have softened as vacancy rates have risen with higher home ownership rates and unemployment, but the market is still one of the tightest in the nation with median monthly advertised asking rents of about \$1,550 for a two bedroom apartment in fiscal 2002, down 8.8% from \$1,700 in fiscal 2001. The apartment vacancy rate has recently begun to rise over its 3.0% low in 2000.

Demand for office space in Boston fell further in 2003 with the overall office vacancy rate at 13.8%, up from 9.7% in 2002, and up from 5.2% in 2001 (Figure 2.). Because office vacancy rates have risen, rents have declined. The average asking rent per square foot for office space in the Boston Financial District at year-end 2003 was \$36.52, down 19% from Financial District asking rents last year (Figure 3.), and added to a cumulative drop of 51% since the 2000 peak. Despite a fairly high vacancy rate, Boston remains one of the top office markets in the country with over 66 million square feet of office space and ranking seventh of the top

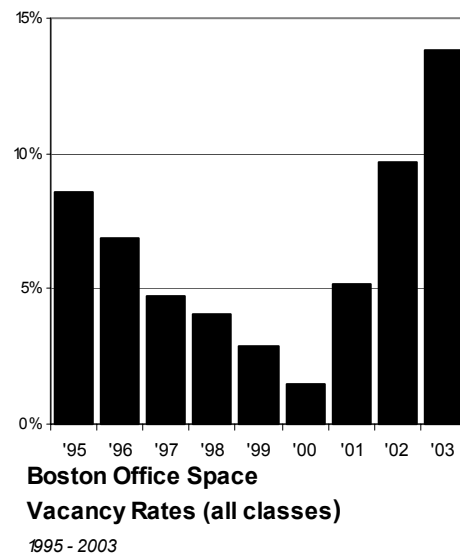
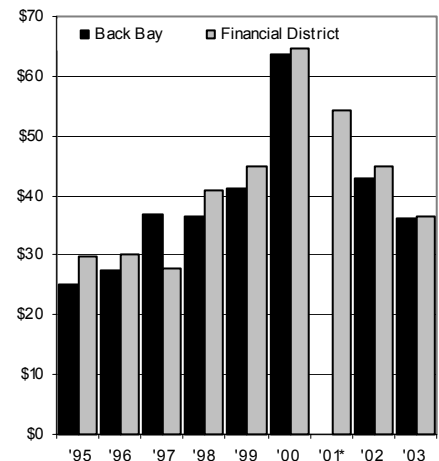


Figure 2

twenty ranked by vacancy rate.

With travel to Boston so popular in recent years, Boston's hotel market was one of the strongest in the nation. During 2000, Boston hotels had an average occupancy rate of nearly 80%, up from 70% in 1991. With high occupancy levels, prices for rooms had risen steadily. During 2000, the average daily room rate at Boston hotels was around \$200, as compared to \$118 in 1991. September 11<sup>th</sup> and national recession have brought challenges to the hotel market with occupancy rates falling to about 70% as of November, 2001 and average daily room rates falling to around \$183. Since then occupancy has gained, and as of July 2003 stood at 79.9%, but average daily room rates have continued to fall to \$142.



**Boston Office Space Asking Rents**  
1995 - 2003 ('01 downturn only)

Figure 3

Although the local commercial real estate development and tourism markets have experienced downward trends recently, developers are still constructing or planning numerous office and hotel projects in the City with only a few delays.

### ***Economic Development***

Recent trends indicate that Boston's economy had been growing steadily prior to the 2001-2002 recession, and is returning to growth with the nation and state. With the election of Thomas M. Menino as the Mayor of Boston, a new cabinet form of government was established to create greater efficiency and improve the delivery of City services. Within this new structure, a Chief

Economic Development Officer (CEDO) cabinet position was created. The CEDO is charged with developing a successful strategy for promoting the economic viability of the City. Two of the major agencies responsible for economic development under this cabinet, the Boston Redevelopment Authority and the Economic Development and Industrial Corporation, have consolidated services to allow for a more coordinated, comprehensive approach to planning and development.

Current public sector projects impacting the Boston economy include the Central Artery/Third Harbor Tunnel project and the Boston Convention and Exhibition Center. The federal government is the primary source of funds the first project with the Commonwealth covering the rest of the costs, and the second project is a combined City/State effort. The Central Artery/Third Harbor Tunnel project is the largest public works project in the country, at a recently estimated cost of \$14.7 billion. It is estimated that this project will have employed 15,000 workers during the peak years of construction (1998 to 2001).

Several portions of the Central Artery/Third Harbor Tunnel project have recently opened for public use. In December 2002 the extension of I-90, or the Massachusetts Turnpike, under Fort Point Channel to Logan Airport opened and just recently the I-93 North side of the new artery opened as well. When fully completed, the new depressed Central Artery and Ted Williams Tunnel are expected to alleviate traffic congestion throughout the City, make Logan Airport and East Boston more accessible, and support planned new development in South Boston.

The development of the Boston Convention and Exhibition Center (BCEC), which includes over 500,000 square feet of contiguous exhibition space on a 60-acre site in South Boston, is a joint effort of the City, the Commonwealth, the Boston Redevelopment Authority (BRA) and the Massachusetts Convention Center Authority (MCCA). The BRA acquired the site, relocated the tenants, and prepared the construction site, which included demolishing of existent buildings and environmental remediation.

Groundbreaking by the MCCA for construction of the BCEC Project took place in the spring of 2000. The BCEC is expected to be completed and open for business in June 2004.

There are many other economic development projects proceeding in Boston. These include plans to develop the East Boston and South Boston waterfront districts, further enhancements to Boston's neighborhoods through the Empowerment Zone and Main Streets initiatives, and continuing development of retail and business districts citywide.

Improvements are planned to parks and neighborhoods to connect residents to the waterfront areas. In place of the old elevated central artery roadway, will be the new Rose Kennedy Greenway, which will reunite neighborhoods separated long ago with new open spaces and the restoration of original streets. In support of this plan, the Mayor has launched the "Greenway Crossroads Initiative" to improve roadway connections abutting the Greenway. In South Boston, in addition to the new convention center, there are also plans for hotel, retail, and residential housing development to attract new workers and visitors to the area.

Partnerships have and will continue to play an important role in revitalizing Boston's neighborhoods. In January 1999, the City of Boston was designated an Empowerment Zone community by the U.S. Department of Housing and Urban Development. The ten-year Empowerment Zone designation brings with it \$130 million in tax-exempt bonding authority and \$100 million in grants to finance sweeping revitalization and job creation programs.

There are currently 21 Boston business districts participating in the Main Streets Program, a partnership between the City and the National Trust for Historic Preservation. As of the end of December 2003, this program has created 444 net new businesses and over 3,000 net new jobs, improved the marketability and business strategy of business districts, and preserved the character of surrounding residential areas.

With a diverse economic base and educated work force, and strong tourism lure, Boston is a world-class city building for the future.

